

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
EXTERNAL AFFAIRS COMMITTEE**

**HELD ON
Friday, May 6, 2005
10:00 a.m., MST**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Jaime Gutierrez, Chairperson, called the meeting to order at 10:00 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jaime Gutierrez, Chairperson
Mr. Steven Zeman, Vice Chairperson - teleconference
Mr. Christopher Harris - teleconference
Dr. Keith Meredith

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of Minutes of the April 1, 2005, EAC Meeting

Dr. Meredith moved that the External Affairs Committee approve the April 1, 2005 EAC minutes.

Mr. Zeman seconded the motion.

The motion passed unanimously.

- 3. Presentation and Discussion of the current Rule Package in progress.** Ms. Nancy O. Johnson, ASRS Rules Coordinator, shared the updated rule timeline that provides a snapshot of where various rulemakings are in the rule making process.
- 4. Presentation, Discussion and Appropriate Action Regarding State Legislation for the 2005 Legislative Session Relating to the ASRS.** Ms. Denisse Gee, Government Relations Officer, and Ms. Susanne Dobel, External Affairs Manager, presented an update of the status of legislation for the 2005 Legislative Session.

- A) **HB 2472 ASRS Transfer of Payroll Deduction Agreements.** This bill requires an ASRS member's payroll deduction agreement to continue when the member transfers employment between participating ASRS employers. This is an agency bill that essentially conforms ASRS statutes to IRS guidelines and has no cost impact to the contribution rate, ASRS administration fund, or the state general fund. This bill was signed by the Governor on April 25, 2005 and chaptered into 2005 law. The bill will become effective 90 days after the Legislature adjourns.
 - B) **HB 2473 ASRS Retirees, Eligibility for AHCCCS, provider networks.** Ms. Gee said the ASRS supports this bill, which gives the ASRS the opportunity to explore the AHCCCS business model and providers. This bill has stalled in the House because of a lack of legislative support and it is clear that this legislative proposal is a multi-year project. Ms. Gee and Mr. Pat Klein, ASRS Contracts Manager, will review the language over the summer and meet with more legislators during the interim to build stronger support for the next session.
 - C) **HB 2474 ASRS Credited Service Purchase was a technical correction.** Ms. Gee said this bill is now a Strike Everything Amendment for the Purchase of Military Service and is stalled in the Senate. She is watching for the language to reappear in another 2005 bill.
5. **Presentation, Discussion and Appropriate Action Regarding Other Introduced or Possible State Legislation for the 2005 Legislative Session Relating to the ASRS.** Ms. Gee and Ms. Dobel explained that other legislation and public policy issues relating to the business of the ASRS include but are not limited to:
- a) **HB 2149 Social Security Numbers**, Shouldn't affect the ASRS as we are subject to Internal Revenue Service requirements.
 - b) **HB 2552 Graded Multiplier Increase**, As introduced, this would increase the unfunded actuarial accrued liability (UAAL) by \$258 million and increase contribution rates by .14% on each side. Held in House third read due to the administrative and actuarial costs involved. This bill will not be passed. Ms. Gee will meet with Senator McClure this summer, at Senator McClure's request to discuss the options.
 - c) **HB 2562 Retirement; ASRS; Investments.** The ASRS shall not invest in companies which have business activities in countries identified by the 6 (j) of the Export Administration Act. (Cuba, Iran, North Korea, Syria and Sudan). Signed by the Governor on April 20, 2005, chapter 161 in 2005 law. Effective 90 days after the Legislature adjourns/sine die.
 - d) **HB 2621 Retiree Health Insurance Rural Subsidy**, Rural subsidy for two years for Medicare eligible retirees who reside in counties without a Medicare eligible HMO. The subsidy is currently provided to approximately 6,000 retirees. That number will be reduced to approximately 3,000 retirees in the central and northern Arizona counties, of Apache, Coconino, Gila, Mohave Navajo, and Yavapai, due to the introduction of the new Medicare Advantage program beginning July 1, 2005.

e) **HB 2641 Appropriation; Teachers; Retirement Contribution**, an appropriation of \$80 million in fiscal year 2005-06 for raises to teachers to hold them harmless for the increased employee contribution rate for the Arizona State Retirement System. This bill will not be passed.

f) **SB 1360 Retiree Health Insurance, Recommendation**, a committee designed to study the insurance coverage recommendations proposed by Mercer in 2004. Signed by the Governor on April 25, 2005, chapter 207 of the 2005 laws.

g) **SB 1521 State Budget Procedures; Budget**, steps in the contribution rate over the next biennium to 6.9% and then to 8.6%. After that the rate will be set on an annual basis.

6. **Future EAC Agenda Items**

- 1.) The next EAC will be on Friday, July 1, 2005, at 10:00 a.m.
- 2.) Continued discussion of the ASRS bills and related bills.

7. **Call to the Public**

No members of the public addressed the Committee.

8. **Adjournment of the ASRS External Affairs Committee**

Mr. Gutierrez moved that the External Affairs Committee adjourn.

Dr. Meredith seconded the motion.

The motion passed unanimously.

Mr. Jaime Gutierrez, Chairperson of the EAC adjourned the May 6, 2005 meeting at 10:25 a.m.

Respectfully Submitted by,

Michelle Fink
Secretary

Date

Paul Matson
ASRS Director

Date